



**Improving Real Estate Assessment Center (REAC) Inspections:
National Standards for the Physical Inspection of Real Estate
(NSPIRE)**

The Carolinas Council Annual Conference

Aug 26th, 2019



NSPIRE Demonstration Federal Register Notice Published

There is a 60-Day public comment period. For this reason we will need to record any comments about the NSPIRE Demonstration.

We will need you to state your name and title or position prior to asking a question. You may be asked to repeat all or part of the question.

We encourage you to visit the website [regulations.gov](https://www.regulations.gov) to fully read the Demonstration Notice and provide your formal comments for the record.



Overview

- “The Problem”
- Inspection Task Force
- Current protocol efforts
- The NSPIRE model
- NSPIRE demonstration



The Problem

While a significant majority of HUD and HUD-assisted properties are safe and in a quality condition, a new inspection model is needed to expediently address properties that are not. Issues include:

- Inspections do not always identify the extent of health and safety conditions affecting residents
- Properties can pass inspection even with poor unit conditions
- Scoring model no longer aligns with expectations about housing quality
- Some owners preparing for inspections, rather than performing maintenance year-round
- Deficiencies are not all Critical to Quality (CTQ)



Inspection Task Force Mission

- Conduct a wholesale reexamination of REAC inspections
- Place the greatest emphasis on **eliminating health and safety hazards**
- Ensure owners adopt sound maintenance practices year-round



2-Track Approach

- **Track 1** – Immediate Changes to the Current System
 - ✓ 14 Day Inspection Notification
 - ✓ Eliminating Reverse Auction Program
 - ✓ Carbon Monoxide Detectors
 - ✓ Measuring Wall Moisture
- **Track 2** – Complete Review and Overhaul of the Inspection Process



Track 1: 14 Calendar Day Inspection Notification

- Achieves a more accurate picture of how the property is being maintained year-round
- Reduces significant costs spent for inspection preparation and promotes reinvestment into the property year-round
- General Concept
 - Property notified 14 calendar days before the inspection
 - Unless state or local law requires a longer resident notification window
 - If property cancels, the score will be a zero
 - One additional reinspection within 7 calendar days; otherwise, score held at zero
- Notice Released Feb 22, 2019; Effective March 25, 2019
 - <https://www.hud.gov/sites/dfiles/PIH/documents/PIH-2019-02.pdf>
- First auction contracts under new policy awarded in April 2019



Track 1: Reverse Auction Program Contract Replacement

HUD is replacing the Reverse Auction Contract method in 2 steps:

- Demonstration
- All Inspections



Track 1: Carbon Monoxide (CO) Detectors

HUD issued the **Carbon Monoxide Detectors in HUD-Assisted Housing Notice** on April 18, 2019 stating:

- As required by the state or local law, code or other regulation, owners, managers and agents of HUD-assisted housing *must* have operational CO detectors.
- HUD *strongly encourages* those located in areas that do not require CO detectors, to have operational CO detectors in buildings/units with fuel-fired appliances or connected garages.

REAC issued an Inspector memo on March 25, 2019, to determine the prevalence of CO detection systems at HUD properties subject to UPCS inspection.

PIH Notice 2019-06: <https://www.hud.gov/sites/dfiles/OCHCO/documents/19-06pihn.pdf> Also a Housing and Lead Hazard Control & Healthy Homes Notice



Track 1: Measuring Wall Moisture

- Federal Inspectors are using infrared cameras and moisture meters to test wall moisture at a limited number of properties.
- HUD is asking for specific feedback on the methods used to measure wall moisture.



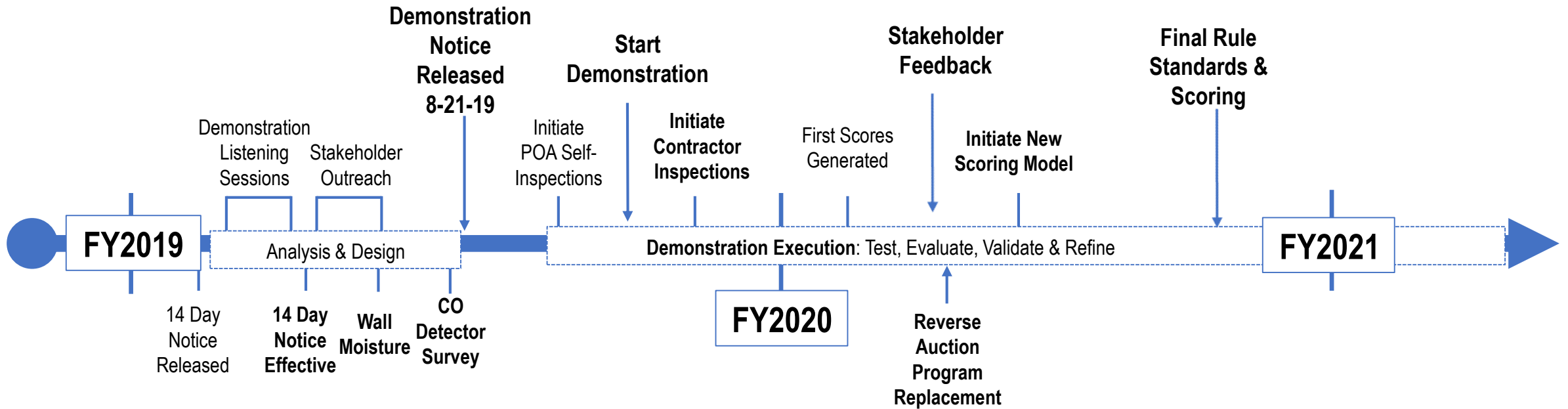
Track 2: Goals of NSPIRE Demonstration

- Ensure families are living in decent and safe housing
- Enhance accuracy through:
 - Better identification of substandard properties
 - Increased objectivity and defensibility of inspections
 - Streamlined inspection processes

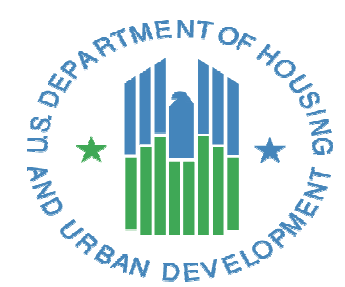


Timeline

Track 2: NSPIRE Standards, Protocols, and Processes



Track 1: Changes To Current Process



NSPIRE Model - Conceptual View

3 Types of Inspections – Confidence Increased

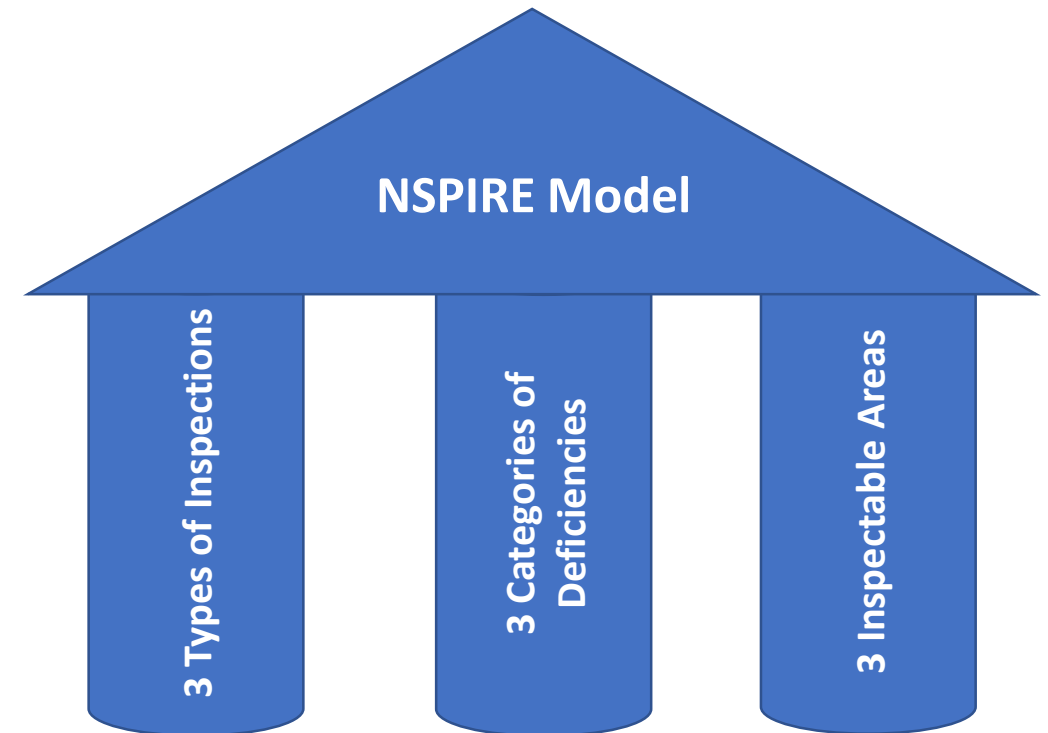
- Property Owner/Agent (POA) Self-Inspections
- REAC Contracted Inspections
- HUD Federal Employee Inspections

3 Categories of Deficiencies – Resident Focused

- Safety and Health
- Function and Operability
- Condition and Appearance

3 Inspectable Areas – Complexity Reduced

- Unit
- Inside
- Outside



Underpinned by 3 mutually supporting components



NSPIRE: 3 Types of Inspections

Reasonable
assurance into
property's condition

POA Self-Inspections

Who: Property Owners/Management

What: All deficiencies reported to HUD

When: Once a year

Where: All units

Why: To gain a reasonable level of confidence in results &
To ensure work orders are being generated



REAC Contracted Inspections

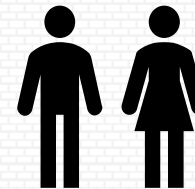
Who: Contract Inspectors

What: CTQs

When: Periodic inspections (3, 2, 1 years)

Where: High sample rate

Why: To gain a high level of confidence in results



Evidentiary support
to enforcement
and/or sanctions

HUD Federal Employee Inspections

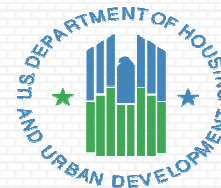
Who: HUD Federal Inspectors

What: CTQs+

When: Triggered by poor conditions

Where: Highest sample rate

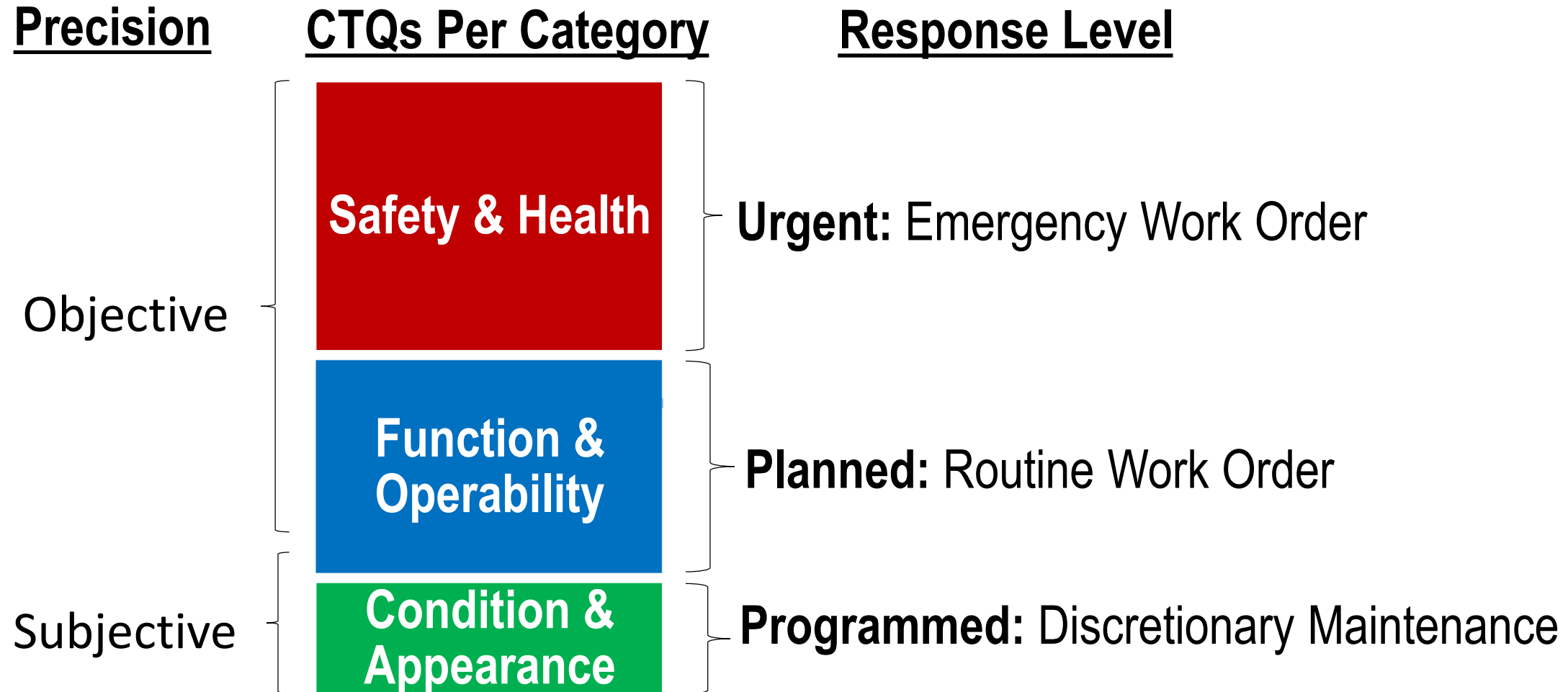
Why: To gain the highest level of confidence in results



*CTQs = Critical to Quality Indicators; Inspection standards that have a high correlation to quality



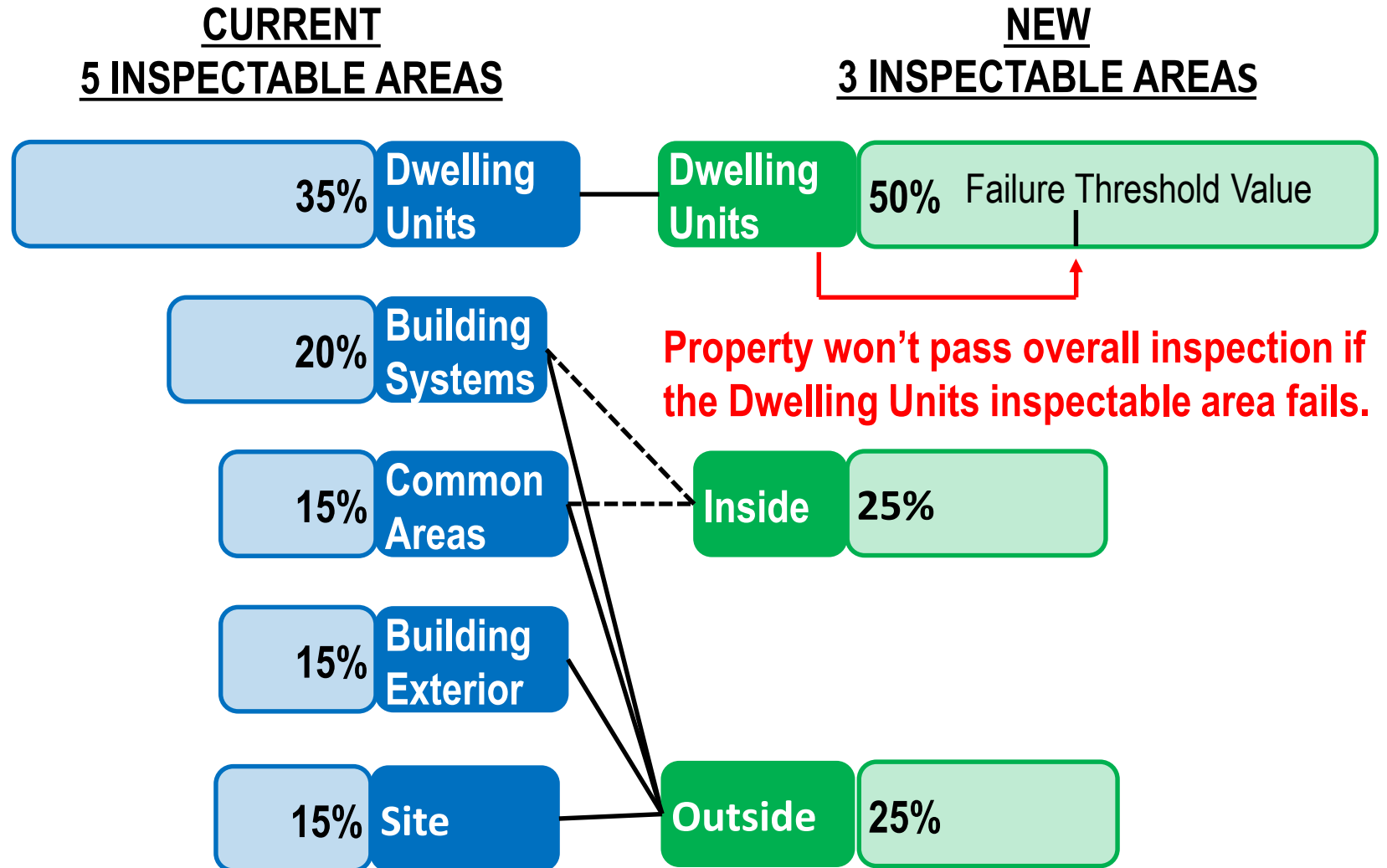
NSPIRE: 3 Categories of Deficiencies





NSPIRE: 3 Inspectable Areas

- 5 Inspectable areas will feed into the 3 new inspectable areas
- Simplified, intuitive approach based on the inspectable item's physical location





Demonstration Roadmap

Two-year, multi-phase effort

- **Demonstration** – Currently preparation ongoing
 - Communicate strategy (vision, goals, objectives)
 - Publish Demonstration Notice for Public Comment
 - Develop items to be evaluated (elements of NSPIRE to include new deficiencies)
 - Develop test criteria and metrics
 - Compare results with criteria and adjust accordingly
 - Solicitation and selection of properties
- **Phase I – POA self-inspections - Begins in 1st Quarter FY2020**
 - Leverages existing requirement to conduct annual unit inspections
 - Participants will inspect and submit results to HUD
 - Self-inspections evaluated but not scored
- **Phase II – CTQ inspections - Begins in 1st Quarter FY2020**
 - Comprised of contractor and government employees using new standards
 - Assesses new standards and protocols; stakeholder feedback
 - Development of new scoring model



Demonstration Inspection Scoring

- Properties will be inspected during the 2-year Demonstration
- Demonstration inspections will be “in lieu” of UPCS inspections
- Scores are only advisory
 - If conditions warrant, HUD will reinspect using UPCS



Demonstration Participation Registration

- **HUD encourages all interested to register for the Demonstration via NSPIRE Website**
 - Participation registration open now
- **Benefits**
 - Property Owners will have a direct line to HUD; Feedback will help HUD shape the new inspection model
 - Property Owners can take advantage of training opportunities
 - Self-inspections are evaluated, but not scored
- **Caveats**
 - If the property is subject to an existing HUD Compliance, Disposition, and Enforcement or Corrective Action Plan, the property/PHA **cannot** participate in the Demonstration
 - If the property owner's most recent REAC score was 70 or less, and is not currently subject to corrective action, the property will be considered on a case-by-case basis
- **HUD anticipates that the first-round of property owners will be selected in September 2019.**



Demonstration Participation Registration


- Registration is easy.
- Just provide the name of organization, Point of Contact, and PHA/PROPERTY IDENTIFICATION, and Business Email address.

REAC NSPIRE DEMONSTRATION REGISTRATION		
POINT OF CONTACT NAME	LAST NAME	FIRST NAME
ORGANIZATION		
PHA/PROPERTY IDENTIFICATION		
PHA is the state code plus three numerical digits. Example: TX000		
MF Property ID is a 9-digit number that begins with an 8. Examples: 800999999		
BUSINESS EMAIL ADDRESS		



New Standards Feedback Webpage

NATIONAL STANDARDS FOR THE PHYSICAL INSPECTION OF REAL ESTATE (NSPIRE)

NEW STANDARDS FEEDBACK - CLICK HERE 

Through its Physical Inspections Line of Business, HUD's Real Estate Assessment Center (REAC) improves housing quality by performing accurate, credible, and reliable assessments of HUD's real estate portfolio; helps ensure safe, healthy, decent affordable housing; and promotes sound property management practices.

Starting in 2017, HUD launched a "wholesale reexamination" of REAC's inspection process and is now in the process of modernizing its physical housing inspection model.



New Standards Feedback Example

Deficiency 2: Damper will not open or stay open

Rationale code(s):	Maintenance:	Indicates maintenance staff is not identifying deficiencies or responding to self-generated or complaint-driven work orders.
	Health and Safety:	Reduces interior air quality; affects residents with breathing issues; increases probability resident exposure to smoke.
	Operability:	Prevents proper use of fireplace/furnace.



Summary

- Improvements to protect families and ensure the inspection results reflect the property's true physical condition
- Improvements will be tested during a 2-year demonstration
- Feedback will be collected from stakeholders through listening sessions and other methods of outreach
- Demonstration expected to begin Q1 FY20
- Demonstration Participant Registration is on NSPIRE website



Your feedback...

Questions and feedback

NSPIRE@hud.gov

or

Search on “HUD NSPIRE”